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STATE FOR WHA/CAN, EB/TRA

WHITE HOUSE FOR Homeland Security Council AND NSC

Department of HOMELAND SECURITY FOR Kinney and Schreiber  
Hughes

STATE PASS USTR FOR JOHN MELLE

USDOT FOR JEFF SHANE, SUSAN MCDERMOTT

DHHS, Office of the Secretary, BILL STEIGER

USDOC FOR 4320/OFFICE OF NAFTA; 3134/OIO/WESTERN HEMISPHERE

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TAGS: [ETRD](#) [ELTN](#) [ASEC](#) [EINV](#) [PREL](#) [CA](#)

SUBJECT: Border Facts and Economic Impact

REF: (A) 02 Toronto 2657 (notal)

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Summary  
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1. The Canadian-U.S. border is a key life-line in the functioning of a large part of our economy. The economic relationship between Canada and the United States is unparalleled. It is the largest merchandise trade relationship in the world with over US\$1.1 Billion in goods crossing the border every day, with Canada enjoying a surplus. Any heightened security effort along the border should take into account how to minimize economic disruption to our economy, for instance, by ensuring that FAST, CT-PAT, NEXUS and other secure, facilitative systems operate efficiently. Private sector groups that depend on trade across the border, such as the automobile industry, have asked for guidance on what to expect if the U.S. moves to a code "red" terrorism threat level. The Embassy strongly suggests as full coordination as possible among federal, state, provincial and municipal authorities, as well as key industrial sectors. U.S. and Canadian industry agree: their operations can be modified if necessary to accommodate security concerns - it is unexpected actions of undetermined duration that causes the most havoc in trade flows, not increased security measures by themselves. End summary.

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American and Canadian Economic Security Intertwined  
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2. The stakes are large: Thirty-five American states have Canada as their leading export market. Total two-way trade in goods between the US and Canada is larger than total US merchandise trade with the entire 15-country European Union. In 2001, merchandise trade between the two countries was US\$383 billion, translating into over US\$1.1 billion in goods crossing the border every day.

3. The US traded US\$223 billion in goods with the province of Ontario alone in 2001 - only US\$11 billion less than total goods trade with Mexico. Michigan alone conducted US\$62 billion of trade in 2001 with Canada. Twenty three percent of all US merchandise exports go to Canada. The bottom-line is Canada is our largest market, accounting for three percent of US GDP, and we are Canada's largest market, accounting for over 30 percent of its GDP.

4. About 65% of this trade (by value) in goods is transported across the border by truck, 16% by rail, 9% by pipeline, 8% by air and 2% by marine. The border infrastructure can be a massive bottleneck. Three border crossings, the Windsor ON -Detroit MI Ambassador Bridge, the Fort Erie ON - Buffalo NY bridge, and the Sarnia ON - Port Huron MI bridge account for approximately US\$160 billion annually, or nearly 65% of the value of all the truck-borne commerce between the two countries. Below are some examples of trade interdependencies in key sectors.

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Automotive Manufacturing & Just-in-time delivery  
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5. The massive North American automotive manufacturing sector is unalterably integrated across the Canada-U.S. border. Michigan and Ontario's automotive industries are co-dependent, exchanging close to US\$47 billion worth of automobiles, trucks, and auto parts in 2001. A key feature of this integration is "just-in-time" delivery and inventory management (Ref A). In practice this means that assembly

plants do not have warehouses, but rely on the hourly arrival of deliveries, the majority of which are intra-company transfers. Significant border delays wreak havoc on this finely-tuned system. In the case of 9-11 and subsequent days in 2001, because of border closures, some assembly lines shut down for hours, and a few plants shut-down for a day or longer - albeit the border closure also coincided with an existing slump in the auto industry. The auto industry has told us they fully support all necessary security measures, but they also strongly urge us to remember that the more information we can provide them, the easier than can adjust their methods to changed circumstances.

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Produce, Fish, Meat and Livestock  
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16. US exporters are the dominant suppliers of Canadian agricultural imports, accounting for nearly two-thirds of the total, while Canadian exporters ship more than half of their agricultural exports to the United States. Canadian exports of perishable food items, namely fresh and frozen meats, fruits and vegetables are vulnerable to spoilage and deterioration under lengthy border delays. Major delays can also severely affect the health of livestock in transit. About 7.0 million live cattle and hogs are exported to the United States annually. Almost 2.5 million of these are destined for U.S. processing plants whose operations are heavily dependent on the timely availability of Canadian animals. According to the Ontario Food Terminal, Canada's largest produce terminal, virtually all U.S. exports of fresh produce to Canada are by truck. Rather than return to the United States empty, the trucks commonly return with backhaul. In fact, their original departure from U.S. points is often dependent upon timely backhaul arrangements. Canada exports about US\$1.8 billion worth (FDA estimated retail value in 2001) of fresh and frozen seafood to the United States. The major metropolitan markets of the eastern seaboard are particularly conspicuous consumers of Canadian products and delays of only a few hours significantly diminish the quality and marketability of fresh/live seafood.

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Critical Medical Products  
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17. Disruption to the timely and reliable supply of essential medical isotopes from Canada to the United States could result in the cancellation of some of the approximately 36,000 medical diagnostic procedures conducted daily or in the cancellation of treatments for cancer. An Ottawa-based company, MDS Nordion, is America's largest supplier of medical isotopes, highly time-sensitive products. This company's products include molybdenum-99, an isotope for diagnosis used in about 80% of nuclear medicine procedures, and "radio-iodine" (iodine-131) used for diagnosing and treating thyroid conditions including cancer. Due to their short radioactive half-lives, any delay in transporting these isotopes, even if it is for a few hours, can have a serious impact on their reliability for diagnostic and therapeutic purposes.

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Critical Professionals: Health care workers  
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18. Many Canadian nurses work at hospitals in Detroit and live in Windsor Ontario. In the wake of 9-11, Detroit hospitals suffered due to border delays that prevented staff from making it to work. To continue to function, hospitals in the U.S. took special steps to arrange transportation for staff coming from Canada.

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Concern About "Threat Level Red"  
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19. Industry and transportation associations on both sides of the border have expressed concern about possible confusion and resultant border delays if the U.S. moves to Threat Level Condition Red. Representatives of the automobile manufacturers, among others, have asked for specific information about what they could expect under threat level red. Lacking other information, the American Trucking Association has posted its own interpretation of what truckers can expect to encounter.

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Comment  
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10. We recognize that specific information about what to expect under various threat scenarios is difficult to provide. Speculation aside, these days of heightened tension seem a good time to point out that it is in the

interest of ourselves and the Canadians to maintain travel and trade across the border, consistent with security needs. There is no question on either side that the border should remain open for legitimate purposes, but closed to terrorists. A major motivation for business and other frequent users to enroll in FAST, CT-PAT and NEXUS has been to support this goal by simplifying border use while enhancing security. We have worked for more than a year and a half through the Smart Border Action Plan to make the border smart and secure. Our challenge is to maintain this in the high threat environment that lies ahead.

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